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LENDING

China To Raise Water Quality

Liaoning Province in Northeastern China has a population of some 36 million who mainly depend on the Hun and Taizi River basin for water. But rapid industrial development and inappropriate wastewater management have combined to pollute both the surface and groundwater resources. Organic matter, toxic chemicals, oils and heavy metals are seriously affecting drinking, industrial and agricultural water quality, endangering public health and restricting economic growth.

M. Iannacci

Geoffrey Read

A $110 million Bank loan approved July 26 will improve water quality in the Hun and Taizi rivers to a standard that is environmentally safe, usable and sustainable in five major cities. At the moment, the province's food supplies depend largely upon the basin which produces

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Plan Gives Bolivians Half Of State Firms

After decades of dismal economic news, Bolivia is finally facing brighter prospects. A strict austerity program and a range of reforms are coaxing the economy along at about 4 percent annual growth, and the program has subdued inflation to about 7 percent a year, down from a mid-1980s high of more than 20,000 percent.

Now—to ensure that all Bolivians share in the new prosperity—the government has unveiled a unique plan to reform cumbersome state enterprises while advancing a bold social agenda. Bolivia will transfer up to half the ownership and all the management control of six public industries—which dominate key parts of the economy—to private international partners in exchange for capital investment. The remaining shares—50 percent of each company—will be divided equally among all 3.2 million adult Bolivians. Their stake will be in the form of shares to be managed by pension funds until their retirement.

Ann Jenkins

Refreshing enterprise.

"It's a very innovative idea," says Susan Goldmark, a senior private sector development specialist in the Bank's Latin America Region. "The government's shares go to the people.

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Six Sectors Chosen For Capitalization Reform

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When it's time for you to retire, you can cash out."

To help Bolivia carry out its ambitious "capitalization" plan, the International Development Association this week approved a credit of SDR 10.5 million ($14.7 million) to help lay the groundwork for the program. The legislature has already passed the keystone Capitalization Law, but much remains to be done to attract investors, establish a new regulatory framework and get the deals underway in specific industries.

M. Iannaccì

Susan Goldmark

In all, six major enterprises have been pegged for the program, one from each of these sectors: hydrocarbons, telecommunications, electricity generation and transmission, railways, airlines and mining smelters.

When the plan is complete, the industries will be poised to thrive under the strong new management expected to accompany infusions of capital. And Bolivians, long among the poorest people in South America, will look forward to retiring with much greater financial security.

"The value of the shares they will get in their accounts could easily exceed what the average rural Bolivian earns in a year," says Goldmark, task manager for the project. "The Bank is very enthusiastic about this program, and we've mobilized a big effort to support it."

The IDA project will lend a hand in three areas:

• **Strengthening the Ministry of Capitalization**. The project will provide general and sector-specific advice and technical assistance to the Ministry, which is a temporary body created to execute the program.

• **Establishing a new regulatory agency**. The government plans to set up a national commission to regulate aspects of the electricity, hydrocarbons, communications and transport industries. IDA help will include training, consultant studies and forging contacts between the new agency and similar ones in other countries.

• **Starting the capitalization process in telecommunications and aviation**. In addition to general reforms in the sectors, IDA will provide specialized equipment and software for telephone regulation, and will help with plans to privatize some aspects of the airports authority and two smaller military airlines. □

CONSULTATIVE MEETINGS

Philippines Wins Backing For Growth And Private Sector

Applauding the Philippines' success in restoring growth and its efforts to achieve economic stability, Consultative Group delegates have committed $2.8 billion in loans and grants to the Asian country for 1994 and offered at least as much for 1995.

The government said at the CG meeting in Paris last week that the economy finally appeared to have turned the corner, registering an estimated 5 percent growth rate in the first quarter of 1994. The power shortage which had held the economy back had largely been eliminated and investment and exports were rising.

But it was pointed out that because the population was increasing rapidly the number of poor people may be growing. Delegates emphasized that the Philippines needs to maintain fiscal discipline and continue to deregulate while focusing public spending efficiently on priorities such as investment in people and environmental protection.

The private sector will be central to achieving sustainable growth and poverty reduction, especially by relieving infrastructure bottlenecks and creating jobs. A recent World Bank Private Sector Assessment of the Philippines calls for "a public-private sector partnership and joint sense of responsibility" and recommends rapid combined reforms.

Considerable progress has been made in overcoming first-tier obstacles such as a large external debt, foreign exchange restrictions, and isolation from international capital markets, the report notes.

But now the main issues for private sector development in the Philippines are: continued economic stability; introducing and maintaining adequate competition policies, backed by regulatory and judicial reform; incentive reform (for example, phasing out subsidies and removing quotas which have favored big investors and those with connections and discouraged agriculture and exports); and ending crowding out of the private sector in financial markets and mobilizing funds for private sector development.

The report says: "Reforms will take time to bear fruit; nevertheless, this report recommends introducing them rapidly and presented in one single package." □

Correction

Last week's issue of *World Bank News* said that the World Bank's first loan was to France 1946. The correct date is 1947. France applied for the loan in 1946.

Pollution Abatement Protects Chinese Heritage Areas

CHINA, *from page 1*

some 40 percent of the area's agricultural output.

The project's objectives are three-fold: protect the main water resources in Liaoning Province; strengthen environmental protection; and institute measures to control air pollution and manage cultural heritages. These will be major benefits from water conservation and reuse. The provincial government has already begun to curb discharge of heavy metals and toxic chemicals from polluting industries, and though some successes have been achieved, cleaning up the remaining pollutants has to be dealt with at the city level, and most Chinese cities are not equipped to do so. Air pollution problems in the city of Benxi are among the worst in China. The city is not generally visible from satellites due to smog and haze from pollution.

Geoffrey Read of the Bank's East Asia Environment and Urban Development Division for China is the Bank's task manager. "The city is in a valley, and sometimes the air is simply grey. The Bank will help finance clean up of China's worst case of air pollution, and assist in setting up river cleanup at the same time. It's expected that in five years there'll be significant change in air quality, improving people's health and reducing the major ongoing damage to the city's building fabric and infrastructure.

"This is a large and major industrial province," Read adds. "There's iron, coal, steel and all sorts of heavy industry. All in all, it accounts for about 12 percent of China's industrial production. So the government was very concerned that economic growth might be slowed by lack of water and poor environmental management."

The wastewater treatment plants will be located away from established communities and not disturb them. Major resettlement or land acquisition will not be required—603 households will be reemployed, and only 85 families will need rehousing under an agreed upon resettlement plan.

Watching over China's water.

"It's also the first time the Bank has supported cultural heritage in China," Read notes. "The project will protect and conserve burial grounds and artifacts going back 5000 years, as well as a 2nd Century ,BC palace built by the first emperor to unite China. The project will also serve to help preserve the Great Wall. It'll prepare ways to protect these unique heritage assets for future generations.

"The Bank has been involved in supporting several other environmental projects in China, including in Beijing. The Liaoning project is geographically widespread, and will, we hope, provide a good model for other provinces." □

Development Committee Chooses New Chairman

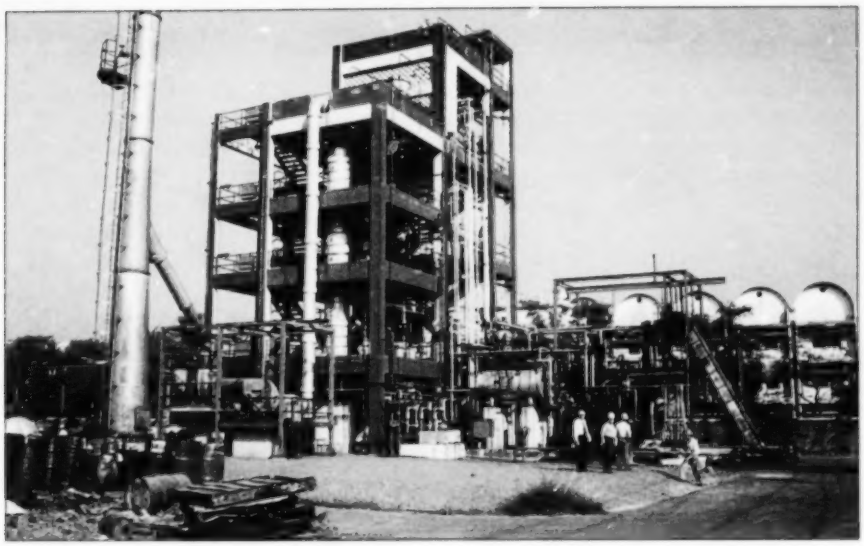
Mourad Cherif, the recently appointed finance minister of Morocco, is the new chairman of the Development Committee. He succeeds M'Hamed Sagou, who left the Committee on ceasing to be a minister. Founded in 1974, the Committee is the "Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries." The Committee's 24 members are ministers or governors of central banks and represent all the members of the IMF and World Bank. Its next meeting will be in Madrid on October 3.

READEX FICHE

LENDING

India Protects Natural Resources With Industrial Pollution Control Projects

World Bank



A toxic and hazardous waste incinerator at Polyolefin Industries, a private sector manufacturer of petrochemicals. At the current rate of operations, it will take five years to dispose of the backlog of hazardous residues stored at the plant. Incoming waste, flue gases and residual ashes are monitored biweekly.

"This is the second project of its type in India," says Walter Vergara of the Bank's Asia Technical Department. "We were really impressed by the first industrial pollution control project. It has been a success. The second one builds on the lessons of the first."

M. Iannacci

Walter Vergara

A Bank loan of $143 million and an International Development Association (IDA) credit of $25 million were approved by the Bank July 26 to help India deal with the problems associated with pollution from industrial sources. Despite past successes, India is victim of its own economic progress and pollution from industrial sources continues to be a threat to sustained growth. As the economy expands, the potential impact of industrial activities on the environment stresses the country's natural resource base and the welfare of the population suffers. "In India," says Vergara, "people and industry are intermingled. The benefits of this project are evident. It will have an impact on health, safety and conservation."

The first project contained financing for innovative pollution abatement investments that included a plastic recycling plant that now recycles 2 percent of the nation's polyethylene. The second project focuses on pollution prevention through the use of cleaner means of manufacture, and pollution abatement. It follows a policy of "the polluter pays," which establishes fees for the release of toxic wastes and charges the source of the pollution.

The project also includes several other initiatives, including a "clean technology network" designed to promote the development and transfer of technologies with environmental benefits for industry; a geographic information system to track the movement of hazardous waste; and extension services for waste minimization. The loan and credit will also promote a scheme to recycle municipal waste. Buyers will purchase raw sewage and recycle it for industrial use, creating a supply of water for industry in an area of acute water shortages.

"This project will have a tremendous impact on how industry conducts business in India," Vergara says. □

World Bank

Plastic wastes will be recycled.

Date	Event	Sponsor	Location	Telephone
AUGUST				
7-12	10th International Conference on AIDS	Congress Corporation	Yokohama	(81-3)3466-5812
22-26	Environment and Quality of Life in Central Europe: Problems of Transition	Int'l Geographic Union Regional Conference	Prague	(42-2) 203608
SEPTEMBER				
5-13	International Conference on Population and Development	United Nations	Cairo	(202)297-5000*
7-9	West Bank and Gaza Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
7-9	U.S. - Africa Telecoms and Broadcasting Conference	Africa Communications Magazine	Washington	(202)667-2111*
19-21	Second Annual Conference on Environmentally Sustainable Development	World Bank	Washington	(202)473-5690*
29-30	Bretton Woods Conference	World Bank/International Monetary Fund	Madrid	(202)473-1784*
OCTOBER				
1	Group of 24	World Bank/IMF	Madrid	(202)-473-1784*
2	Interim Committee	IMF	Madrid	(202)473-1784*
3	Development Committee	World Bank, IMF	Madrid	(202)473-1784*
4-6	Annual Meetings of the Board of Governors	World Bank	Madrid	(202)473-1784*
24-26	International Conference on Environmental Issues in Minerals and Energy Industry	Mining Engineers' Association of India	New Delhi	(91) 674 51224

Editor's Note: *Development Agenda* is a feature that alerts journalists to key news events in the field of economic development. Journalists should contact sponsoring agencies for details about each event. Asterisk (*) indicates telephone number is in the U.S.A. All other telephone numbers include country and city codes.

FY94 RESULTS

Record Year For MIGA Insurance Boosts Foreign Investment

The Multilateral Investment Guarantee Agency (MIGA) issued a record 38 contracts in fiscal 1994, facilitating about $1.3 billion in direct private investment and creating some 7,800 jobs in 13 host developing countries, the agency announced this week.

These results bring to about $7 billion the amount of direct private investment MIGA has helped to attract in only five years of operations.

MIGA is the youngest member of the World Bank Group. It encourages private foreign investment in developing countries by providing insurance against such political risks as currency transfer, expropriation, war and civil disturbance. MIGA also provides technical assistance to help countries attract foreign investment.

M. Iannacci

Akira Iida

Akira Iida, executive vice president of MIGA, said that the Agency's country membership rose by 14 during the year to 121, with another 26 in the process of joining. Insurance contracts issued in FY94 had a combined maximum coverage of $373 million. The agency also issued five commitment letters to investors potentially involving coverage of $167 million.

In FY93 MIGA issued 27 contracts with a maximum coverage of $374 million and five commitment letters potentially involving coverage of $105 million.

Iida noted the wide regional distribution of the FY94 results. MIGA issued its first guarantees in Brazil, Bulgaria, Kazakhstan, Peru, Trinidad and Tobago, and Uzbekistan. The amount of coverage ranged from $400,000 for agribusiness in Cameroon, to $40 million for gold mining in Uzbekistan, and $50 million for banking in Brazil. Since its inception, MIGA has insured projects in the mining, fishing, power, manufacturing, financial and service sectors. □

IBRD Has Solid Outcome For FY94

The International Bank for Reconstruction and Development earned a net income of $1.05 billion and borrowed $8.9 billion in medium- and long-term funding during fiscal year 1994, the IBRD announced this week. The comparable figures for FY93 were $1.13 billion and $12.7 billion, respectively.

On June 30, the end of the fiscal year, seven countries accounting for just over 2 percent of outstanding loans were in non-accrual status. Non-accrual status is when a borrower is six months or more behind in debt servicing. The two new entrants to non-accrual status were Sudan and Zaire. The others are Bosnia-Herzegovina, Iraq, Liberia, Syria, and the Federal Republic of Yugoslavia (Serbia and Montenegro).

The standard semi-annual variable lending rate fell from 7.43 percent in the first half of FY94 to 7.27 percent in the second half. In the first half of FY95 the comparable rate is 7.10 percent.

The IBRD's reserves-to-loans ratio was 13.88 percent at the end of FY94, within the target range of 13 percent to 14 percent. Liquidity holdings rose to $19.2 billion from $18.5 billion in the previous fiscal year.

IBRD Selected Financial Data for FY93-FY94
(US$ million, end-year)

	FY94	FY93
Fiscal Year Volumes		
Net Income	1,051	1,130
Commitments	14,244	16,945
Disbursements, Gross	10,447	12,942
New Borrowings, Medium- to Long-Term (MLT)	8,908	12,676
Currency Swaps	1,068	3,577
Interest Rate Swaps	2,480	3,810
Average Life of New Borrowings (MLT) (Yrs)	7.4	9.3

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